



**SUBCOMMITTEE ON ENERGY POLICY,  
NATURAL RESOURCES AND  
REGULATORY AFFAIRS**

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**Doug Ose (CA-03), Chairman**

***PRESS RELEASE***

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FOR IMMEDIATE RELEASE  
May 6, 2002

**FTC RESPONDS TO OSE FINDINGS ON POSSIBLE  
COLLUSION IN ETHANOL INDUSTRY**

*Agency to Refer Matter to Justice Department for Further Investigation*

WASHINGTON, D.C.— In a letter sent to Government Reform Subcommittee Chairman Doug Ose (R-Sacramento), the Federal Trade Commission (FTC) informed the Subcommittee on Energy Policy, Natural Resources and Regulatory Affairs that it handed over memoranda related to alleged price fixing in the ethanol industry to the Antitrust Division of the Department of Justice (DOJ). During the Subcommittee's April 23rd hearing, Chairman Ose released internal ethanol industry memoranda that showed possible industry collusion to set prices.

"The fact that the FTC referred these documents to the Department of Justice raises a new set of concerns regarding criminal violations by the ethanol industry," Ose said. "Although the FTC and the Justice Department can both investigate anti-trust violations, the Justice Department is primarily responsible for investigating criminal violations. I am pleased to see the FTC refer this matter to the proper authority. I ask the Justice Department to immediately initiate a comprehensive investigation into any possible anti-trust violations by the ethanol industry."

According to a *Memorandum of Agreement* between the FTC and the Antitrust Division of the DOJ, "When there is reason to believe that a criminal violation of the antitrust laws has occurred, or during the course of an FTC investigation evidence is uncovered that indicates the likelihood that criminal conduct has occurred, the matter will be cleared to DOJ."

"I urge the Department of Justice to quickly look into this matter," Ose said. "With the Senate having passed energy legislation last week that mandates tripling of ethanol usage, Congress needs to promptly ensure that gas prices are not artificially inflated as a result of price fixing. The Justice Department needs to review this on an expedited basis considering the enormous effect inflated gas prices could have on consumers."

On April 23rd, Ose disclosed memoranda that showed possible coordination of bidding to buy and sell ethanol. During the hearing, Ose asked FTC General Counsel William Kovacic to investigate the matter further. The Senate ethanol provision is currently pending at a House-Senate Conference Committee on the Energy Bill.

For a copy of the findings at the Subcommittee's April 23 hearing, please visit [www.house.gov/reform/reg](http://www.house.gov/reform/reg).

**-- ATTACHED IS THE FTC LETTER TO CHAIRMAN OSE --**



UNITED STATES OF AMERICA  
**FEDERAL TRADE COMMISSION**  
WASHINGTON, D.C. 20580

William E. Kovacic  
General Counsel

(202) 326-3661

May 6, 2002

The Honorable Doug Ose  
Chairman  
Subcommittee on Energy Policy, Natural Resources,  
and Regulatory Affairs  
U.S. House of Representatives  
215 Cannon House Office Building  
Washington, D.C. 20515

Dear Chairman Ose:

I am writing to report to you on the status of the ethanol industry materials that you provided to me during the Subcommittee's hearing on gasoline prices on April 23. After reviewing these materials, staff of the FTC's Bureau of Competition has transmitted them to the Antitrust Division of the Department of Justice under the liaison arrangement between the Commission and the Division through which we determine which agency will review a particular matter. Staff's action in conveying these materials to the Antitrust Division does not reflect any decision about the existence of an antitrust violation, nor does it mean that the Justice Department necessarily will decide to initiate a formal inquiry.

If you have any questions concerning the FTC staff's review of these materials, please feel free to contact me. If you have any questions regarding further developments in this matter, please feel free to contact the Antitrust Division.

Sincerely yours,

A handwritten signature in black ink, reading "William E. Kovacic", is written over the typed name.

William E. Kovacic